NEVIS ENERGY SERVICES LTD.

2001 ANNUAL REPORT

Innovative Technology | Strategic Growth

ANNUAL MEETING

The Annual Meeting of Shareholders of Nevis Energy Services Ltd. will be held on Tuesday, May 14, 2002 at 3:30 p.m. (Calgary time) in the Birch Room of the Hawthorne Suites, 618 Fifth Avenue S.W., Calgary, Alberta. Shareholders who are unable to attend the Meeting are requested to complete and return the Instrument of Proxy to Computershare Trust Company of Canada at their earliest convenience.

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CORPORATE PROFILE

Nevis Energy Services Ltd. is a Calgary based international energy services company utilizing innovative technologies for directional well design while incorporating the latest in downhole drilling technology for the execution of complicated directional and horizontal drilling programs, percussion hammer and performance drilling. Nevis is focused on being a respected leader in the drilling industry, recognized for providing its clients the utmost in creative drilling solutions and performance with integrity and trust. Common shares of Nevis Energy Services Ltd. trade on the Canadian Venture Exchange under the ticker symbol NES.A.

MISSION STATEMENT

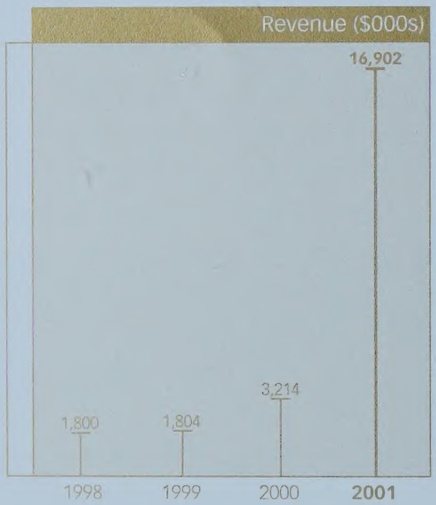
Nevis Energy Services Ltd. provides efficient, reliable, cost effective, site-specific drilling solutions to the oil and gas industry. We will incorporate the latest technologies, provide service excellence and be the industry leader in reliability and customer satisfaction.

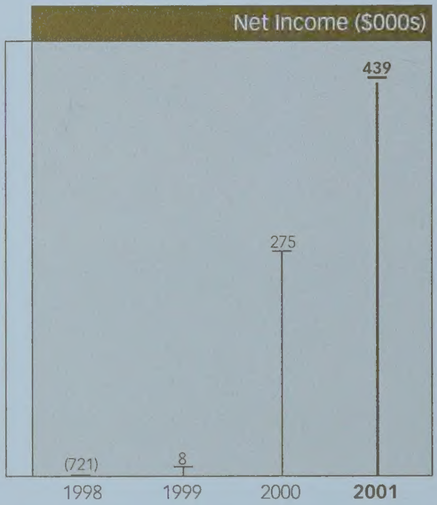
- ***Targeting Success***
- ***Experienced Technical Support***
- ***Committed to Service***
- ***Industry Leaders in Reliability***
- ***Customer Satisfaction***

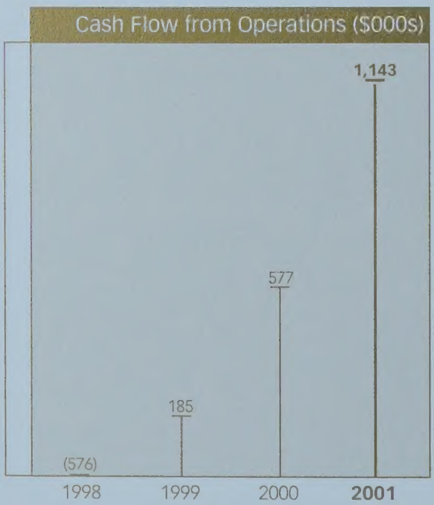
Nevis Energy Services Ltd.

HIGHLIGHTS

Years Ended December 31, (000s)	2001 $	2000 $	Change %
Revenue	16,902	3,214	426
Net income	439	275	60
Cash flow from operations	1,143	577	98
EBITDA	1,356	594	128
Capital asset expenditures	7,938	931	753
Total assets	13,940	2,970	369
Shareholders' equity	6,522	1,886	246
Weighted average shares outstanding (#)	5,884,597	4,087,510	44



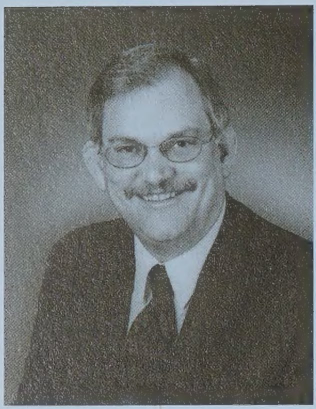




Full derrick of pipe awaiting trip back into wellbore

2001 marked a year of important change for Nevis Energy Services Ltd. We have grown by way of corporate acquisition, reverse takeover and a new public status. These strategic developments have significantly changed the corporate fiber of Nevis such that today, we are a respected, full service, publicly traded directional drilling company, providing services both domestically and internationally.

Message to the Shareholders



Brent Clark
President and COO

We are pleased to present our inaugural Annual Report to shareholders as a publicly traded company. Since our start-up in 1997, Nevis Energy Services Ltd. has grown to become a respected leader in providing cost effective, technically advanced drilling solutions to the oil and gas industry.

The Company provides a full complement of directional drilling services and technologies to support the needs of drilling programs conducted by any oil and gas company. We are committed to growing a strong business and are excited about the prospects for our industry and our Company.

CORPORATE REVIEW

At the commencement of 2001, Nevis maintained a modest equipment and systems inventory that generated first quarter revenues of $3.8 million. During the year, the Company effected an important transition that significantly changed the corporate fiber and future direction of Nevis, the highlights of which are outlined below:

- In May, the Company acquired the directional drilling assets of NorthStar Drilling Systems Inc. and the shares of NorthStar's wholly owned subsidiary, Di-Drill, Inc. The purchase price totaled $7.9 million and included 11 positive pulse MWD systems, thereby establishing Nevis as a "top five" directional drilling company in Canada with U.S. activities focused in California, North Dakota and Texas and operating centres located in Bakersfield, California and Houston, Texas.

- In September, Starlink Capital Corp. acquired all of the issued and outstanding common shares of Nevis by way of a reverse takeover. The liquid assets of Starlink, which totaled $4.1 million, were an integral component to our growth by providing the necessary cash to assist in financing the NorthStar acquisition.

- In October, Nevis Energy Services Ltd. commenced trading on the Canadian Venture Exchange under the ticker symbol NES.A, thereby providing Nevis with a new status and the opportunity for investors to participate with us in our Company's growth.

As a result of these important events, Nevis' equipment inventory, geographic diversification, human resources and future earnings potential have been appreciably increased.

FINANCIAL REVIEW

After the acquisition of the NorthStar assets in May 2001, the oil and gas industry was faced with softening commodity prices and an uncertain future caused by troubling world events. Nevis faced a period of adjustment, reevaluation and reorganization. A deficit recorded in our 2001 third quarter was swiftly addressed with aggressive corporate restructuring such that by the end of the year, our workforce was streamlined and overhead costs reduced by some 40%. The Company has been streamlined to a position of financial strength with the solid foundation required to maximize efficiency and maintain high levels of operational capabilities and customer service. Given the corporate activities previously discussed, for the fiscal year ended December 31, 2001 Nevis achieved record financial results as highlighted below.

We increased:

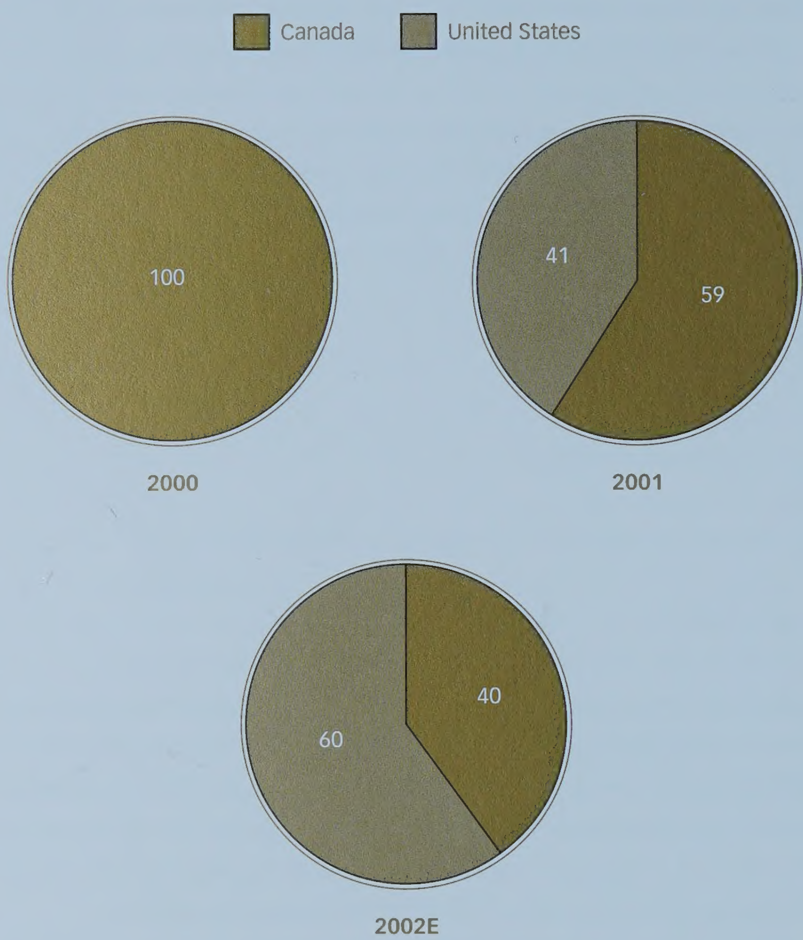
- revenue 426% to $16.9 million;
- net earnings 60% to $0.4 million;
- operating cash flow 98% to $1.1 million;
- EBITDA 128% to $1.4 million; and
- shareholders' equity 246% to $6.5 million.

OPERATIONS REVIEW

At the commencement of 2001, the Company's equipment and systems inventory included four positive pulse MWD systems and 11 percussion hammers for a concurrent job capacity of four. Following the acquisition of NorthStar's directional drilling assets, however, the Company's inventory grew to total 15 positive pulse MWD systems, one EM system and 11 percussion hammers for a concurrent job capacity of 16 with operating centres in Calgary, Alberta; Estevan, Saskatchewan; Houston, Texas; and Bakersfield, California. Our entire inventory can be deployed to any operating centre, allowing Nevis to respond quickly to customer demands and new opportunities by mobilizing equipment and personnel to geographic regions as required.

During 2001, the Company's Canadian activities included providing services for the drilling of 87 directional, horizontal and percussion wells. Revenue generated from Canadian operations totaled $10.0 million, or 59% of the Company's 2001 total revenue, versus $3.2 million, or 100% a year ago. The majority of drilling was conducted in the deep faulted formations of the Alberta/British Columbia foothills regions where Nevis continues to be the experienced specialty driller of choice. During the year, the Company was also actively involved in the South Central Alberta and Saskatchewan regions. In August, following the NorthStar transaction, the Company relocated its Canadian operations centre to a Calgary location better suited to handle increased activities and inventories as well as established its corporate head office in the city's downtown. Nevis currently has 25 full time professionals based in Calgary along with 18 experienced field consultants. The Company anticipates that during 2002, it will continue to focus on the core business of directional and horizontal drilling while investigating strategic growth opportunities through increased market share and complementary corporate acquisitions.

Revenue by Geographic Region



Through the acquisition of the NorthStar assets, Nevis expanded its operations to the United States. Our entry into the Houston market has been a success as Nevis quickly established itself as a reliable and competitive provider of directional and horizontal drilling services in Texas and the Gulf Coast land-based markets. The Bakersfield centre is operated through our subsidiary Di-Drill, Inc., the first company in California to offer directional drilling services.

The Company currently has 15 full time employees based in Houston and Bakersfield along with several field consultants. During 2001, the Company provided services for the drilling of 74 directional and horizontal wells throughout California, North Dakota and Texas. Revenue generated from U.S. operations totaled $6.9 million, or 41% of the Company's total revenue. Nevis offers the expertise required to drill in a variety of geographic regions including California, Colorado, Louisiana, New Mexico, North Dakota, Oklahoma, Texas and Wyoming. We are actively pursuing new opportunities throughout the U.S. in order to expand our operations and client base, and increase utilization of resources.

TECHNOLOGY REVIEW

Electromagnetic Guidance System (EM)

In 2001, Nevis added EM technology to its scope of services. The Company currently has an arrangement with NQL Drilling Tools, Inc. for the lease of one EM system (with access to additional systems as required) with an option to purchase. This technology uses an electromagnetic signal to transmit data to the surface, thereby providing accurate, reliable data in diverse drilling environments without the encumbrance of mud or wire transmissions. Polaris EM technology renders the drilling fluid condition irrelevant in both conventional and underbalanced drilling applications and improves system reliability since there are no mechanical moving parts.

In order for Nevis to continue to meet the growing customer demand for EM technology, we plan to lease or purchase additional EM systems as required. Together with NQL, Nevis is currently developing an extended reach EM system that will provide virtually unlimited depth capabilities. The system design keeps the measurement sensors close to the bit while transporting the transmitting elements by means of an armored cable, and as a result, the configuration is completely self-contained and does not interfere with any drilling operations. This new system should begin field testing in Q2 of 2002.

Positive Pulse Measurement While Drilling Systems (MWD)

MWD equipment, which incorporates technology similar to that found in missile guidance systems, provides real-time positional information of the well bore relative to the surface location, thereby allowing the directional driller to steer the wellbore to the intended oil or natural gas reservoir target. Nevis' MWD system is a modular designed positive pulse system that is fully retrievable with wireline. The modular design of this tool allows it to be broken down into components less than two metres in length and therefore can be easily transported and assembled in the field.

During 2001, the Company increased its inventory of positive pulse MWD equipment from four to 15 systems. Each system is completely redundant in that 15 systems translates into 30 tools. In addition, Nevis increased its inventory from ten motors to 78 positive displacement mud motors, providing the Company greater control over service and maintenance quality.

By using Nevis' unique combination of MWD tools and experienced field personnel, many of our clients recorded a decrease in the number of drilling days, which translated into substantial cost savings. As a result, Nevis continues to grow its domestic and international client base.

Percussion Hammer Drilling

Percussion drilling is recognized as the fastest drilling method and involves drilling with a percussion hammer attached to the end of a drill string. This technique, which is powered by compressed gas, is used in hard rock environments and can increase the penetration rate by up to six times that of conventional rotary. Nevis is currently developing a proprietary steering tool enabling directional drilling with percussion hammers, thereby translating the time and cost savings into the directional and horizontal drilling realm. A test of the Directional Hammer prototype was successfully completed in spring 2001 with very encouraging results. The first commercial project to utilize this new tool is scheduled for later this year.

Well Planning and Engineering

Nevis provides well planning and engineering consulting services using innovative technologies for directional design. Together with our experienced technicians, we utilize the latest in computer-generated programs to plan the execution of complicated directional and horizontal drilling programs.

INDUSTRY REVIEW

During 2001, 4,618 horizontal wells were drilled in Western Canada, a 5% decrease from the prior year. It is estimated that during 2002, horizontal and directional drilling activity could drop another 22% before rebounding in 2003. According to industry analysts 13,700 wells are expected to be drilled in Western Canada in 2002, down 25% from 2001, with capital expenditures expected to decrease 30%. 2001 will also be remembered as the shallowest and fastest drilling year recorded in the last decade, with the exception of 1999. Well depths and drilling times are expected to increase in 2002 as a result of reduced shallow gas drilling activity.

As a result of sluggish world oil consumption, we have just experienced the slowest growth rate in the past 17 years. During 2002, crude oil prices should make a modest recovery, hovering around the US$20.00 per barrel mark. With improved fundamentals such as recent OPEC cuts and Chicago's Citgo refinery now operational, it is expected that drilling activity could increase for companies with heavy oil plays.

The initial weakness in gas prices due to high storage levels should gradually recover throughout 2002, to levels which should bring about renewed drilling activity. Although product prices will remain low compared to last year, approximately 57% of Canadian well completions will continue to be focused towards natural gas.

International oil activity should remain steady if prices stay around US$20.00, while natural gas drilling will likely continue its decline through the 2002 second quarter.

STRATEGY FOR GROWTH

Although Nevis operates in challenging, competitive environments, it remains full of potential. We have a strong vision of where we want to go and a focused strategy for growth to take us there.

Brent Gogol
VP Sales and Marketing

- Increase market share by exploiting our technical advantage. We will remain focused on providing the industry's best directional, horizontal, percussion hammer and performance drilling services while continuing to invest in the design and development of a wide range of cost effective drilling equipment. We are currently developing a specialty steering tool for percussion hammers and look to create other tools and technologies that are capable of improving drilling efficiency while reducing costs. Through this focus, we look to strengthen existing as well as forge new customer relationships.

- Maintain unparalleled customer service. To Nevis, service is not just a word, it's a pledge – a promise that each project will be executed safely, efficiently, reliably, on time and on budget. Our goal is to understand the operational issues our customers are facing, then create advanced technologies that address them. Through teamwork, constant innovation, and exemplary service, we create value for our customers and contribute to their success.

- Increase utilization of resources. Currently, the Canadian MWD market is saturated with too many tools and not enough business to keep inventories fully utilized. Accordingly, we are taking aggressive steps to increase our market share in Canada. To this end, we have added to our Nevis sales team one of the most experienced and successful salespeople in the directional drilling industry today. The company is also investigating opportunities in the United States, South America and Africa, that will provide increased equipment utilization and higher rates of return. We are estimating that over one half of our 2002 revenues will be generated from the U.S.

Nevis is able to respond quickly to customer demands and new opportunities south of the 49th parallel by mobilizing equipment and human resources as required, with minimal time and cost.

- Improve operating efficiencies. Although by the end of 2001 we had trimmed overhead costs 40% percent, we are currently running a further 4% below that mark. Consequently, Nevis can now maintain profitability during times of low utilization and, more importantly, as sales improve. We will continue to closely monitor and analyze all business operations to ensure our expenditures are related only to profit generating activities.

- Pursue and evaluate additional acquisition opportunities following strict criteria in terms of growth potential, complementary services and greater return on capital. Through complementary diversification and strategic business combinations, we believe we will gain competitive advantage and provide the ability to utilize common resources and marketing, thereby lowering capital expenditure and administrative costs while increasing profitability.

- Place high priority on programs that develop the full potential and entrepreneurial spirit of our employees. To ensure the continuity of our longer-term growth, our aim is to match employee skills with our business requirements. We will expand our training efforts, intensify career development programs and refine our systems to help us attract, motivate and retain the very best people in the industry.

As we focus on profitable growth, we will continue to challenge ourselves to maintain a strong balance sheet quarter over quarter, thereby allowing us to take advantage of acquisition opportunities and fund growth, and to improve utilization of our equipment and manpower.

OUTLOOK

The recent corporate activities only mark the start of what we are able to do in developing a critical mass for our operations. We remain committed to creating value through a focus on operating efficiencies, cost controls, ongoing technological development and the maintenance of financial strength and profitability. We have set ambitious goals, both in terms of revenue and in continuing to increase our operating margins, thus making it possible for higher returns to our shareholders.

We would like to thank our directors for their wise counsel and guidance, our employees for their continued dedication and efforts, our shareholders for their patience and trust, and our clients for their loyalty. Without their continued support, our success would not be possible.

Nevis is looking forward to a positive future. We are confident in the strength of our Company and the services we provide, and are well positioned to execute our growth strategy, even in the event of a prolonged industry downturn.

On behalf of the Board of Directors,

J. Cameron Bailey
Chairman
March 28, 2002

Brent Clark
President & Chief Operating Officer

Nevis Directional Driller assists during the install of UBHD sub into drill string

Nevis achieved record financial results in 2001. We increased revenue 426% to $16.9 million, net earnings 60% to $0.4 million, operating cash flow 98% to $1.1 million, EBITDA 128% to 1.4 million, and shareholders' equity 246% to 6.5 million.

Management's Discussion and Analysis

The following discussion has been prepared by management and is a review of the financial results of the Company based on accounting principles generally accepted in Canada. Its focus is primarily a comparison of the financial performance for the years ended December 31, 2001 and 2000 and should be read in conjunction with the consolidated financial statements and accompanying notes.

Certain information regarding the Company contained herein may constitute forward-looking statements under applicable securities laws. Such statements are subject to known or unknown risks and uncertainties that may cause actual results to differ materially from those anticipated or implied in the forward-looking statements.

Rodney D. Mitton
Chief Financial Officer

At the beginning of 2001, Nevis was a private company with four MWD tools and 15 full time employees. The tools were fully utilized during the year's first quarter, generating revenues of $3.8 million. During the second quarter, Nevis acquired 11 MWD systems, 68 mud motors, related equipment and 57 additional employees through the purchase of the directional drilling division of NorthStar Drilling Systems Ltd. By the end of the third quarter, Nevis had completed a reverse takeover of Starlink Capital Corp., thereby becoming a public company. With a subsequent downturn of industry activity it became apparent that the Company could not warrant or support an operation with 85 full time employees and consultants. Consequently, management began the process of reorganizing operations and reducing staff in all areas such that by the end of January 2002, the Company had consolidated and relocated its Canadian operations facilities and reduced its complement of personnel to 40.

RESULTS FROM OPERATIONS

Years Ended December 31, *(000s, except per share amounts)*	**2001** **$**	**2000** **$**	**Change** **%**
Revenue	16,902	3,214	426
Net income	439	275	60
Per share	0.07	0.07	0
Cash flow from operations	1,143	577	98
Per share	0.19	0.14	36

For the year ended December 31, 2001, Nevis recorded total revenues of $16.9 million compared to $3.2 million a year ago. This 426% increase is a result of an increased equipment inventory and expanded operations into the United States. The Company's Canadian operations generated 59% of the year's total revenues with 41% coming from the U.S., thereby marking the first year Nevis has recorded revenues outside of Canada. The Company expects that 58% of 2002 revenues will come from its U.S. activities.

EXPENSES

Direct field expenses consist of all costs directly related to providing the Company's services, including coordination of MWD and directional services, well planning and related party costs. Following the acquisition of the NorthStar assets, Nevis was supporting two shop locations, 18 full time MWD field technicians and leasing 12 vehicles that were ultimately deemed excessive. Subsequent to the Company's reorganization, these costs are no longer being incurred. Nevis expects field margins to improve by at least 30% in 2002. In addition, the Houston operating centre is now managing all activities related to the Bakersfield operation, thus eliminating additional fixed operating costs.

Direct costs increased $10.7 million to total $12.6 million as a result of additional systems that were put into service effective May 15, 2001. The 26% gross margin recorded in 2001 is approximately 7% lower than the industry norm; however, an expected reduction in the Company's 2002 direct costs should bring margins back in line with the rest of the oilfield services industry.

Selling, general and administrative expenses increased 283% from $770,000 to $3.0 million. As a percentage of sales, these expenses decreased from 24% to 17%, with a further decline to 13% anticipated in 2002.

Interest expense for the year totaled $196,678 compared to $40,984 in 2000. The Company partially financed the purchase of the NorthStar assets with a $3.5 million bank loan.

Amortization of capital assets increased from $278,087 to $777,276 in 2001. This 180% increase is primarily attributable to a growing asset base.

During 2001 and for the first time in the Company's history, Nevis recorded an income tax expense of $17,195. The effective tax rate of 3% is low as a percentage of income as a result of deductions available from prior years both in Canada and the United States.

NET INCOME AND CASH FLOW FROM OPERATIONS

Year-over-year net income rose 60% to $438,994 versus $275,116 in 2000. On a per share basis, net income remained the same at $0.07. Cash flow from operations totaled $1.1 million compared to $0.6 million in 2000. On a per share basis, cash flow grew from $0.14 to $0.19. The significant improvements reflect the additional systems acquired through the NorthStar acquisition and resulting activity increases.

LIQUIDITY AND CAPITAL RESOURCES

The Company generates funds required to support its operations from three sources: equity, internally generated cash flow and use of bank debt. During 2001, Nevis increased its long term debt by $3.5 million and then reduced it by $0.9 million for a year-end balance of $3.0 million. At December 31, 2001, the Company had working capital of $0.4 million, exclusive of the current portion of long-term debt, compared to $0.2 million a year ago and had not drawn any of its $2.5 million in available credit facilities. With minimal capital expenditures planned for 2002, the primary non-operations cost will be the Company's monthly debt payment of $73,000.

INVESTING ACTIVITIES

Effective May 15, 2001, the Company acquired 11 MWD systems and 68 mud motors from NorthStar for consideration of $7.9 million. Other fiscal 2001 capital expenditures for office computer equipment and leasehold improvements totaled $380,940.

BUSINESS RISKS AND UNCERTAINTIES

The Company's revenues are reliant on the capital expenditures of exploration and production companies. Those expenditures are determined by drilling economics of which the market price of oil and natural gas are a significant component.

The major business risk therefore is the volatility of these commodity prices. Other uncertainties include changes in taxation and regulatory regimes, fluctuating exchange rates and general worldwide economic conditions.

OUTLOOK

The Company's primary focus is to attain maximum utilization of its current asset base. On an annualized basis, management considers a 60% utilization rate as maximum utilization. With the current slowdown in Canada Nevis is looking to increase utilization.

Nevis Directional Driller readies mud motor for trip in hole

Consolidated Financial Statements

MANAGEMENT'S REPORT

To the Shareholders of Nevis Energy Services Ltd.

The Annual Report, including the consolidated financial statements, is the responsibility of management of the Company. The consolidated financial statements were prepared by management in accordance with Canadian generally accepted accounting principles and, where appropriate, reflect estimates based upon management's judgment. Financial information presented elsewhere in this Annual Report has been prepared by management and is consistent with the information in the consolidated financial statements.

Management is also responsible for a system of internal controls, which is designed to provide reasonable assurance that assets are safeguarded and that accounting systems provide timely, accurate financial reports.

The Audit Committee of the Board of Directors has reviewed in detail the consolidated financial statements with management and the external auditor. The Board of Directors has approved the consolidated financial statements on the recommendation of the Audit Committee.

External auditors have examined the consolidated financial statements and their report is presented herewith.

Brent Clark
President & Chief Operating Officer
March 28, 2002
Calgary, Alberta

Rodney D. Mitton, CA
Chief Financial Officer

AUDITORS' REPORT

To the Shareholders of Nevis Energy Services Ltd. (formerly Starlink Capital Corp.)

We have audited the consolidated balance sheets of Nevis Energy Services Ltd. as at December 31, 2001 and 2000 and the consolidated statements of income and deficit and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2001 and 2000 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

PricewaterhouseCoopers LLP

Chartered Accountants
March 22, 2002
Calgary, Alberta

CONSOLIDATED BALANCE SHEETS

	2001 $	2000 $
Assets		
Current assets		
[illegible]	161,635	–
[illegible]	4,534,750	835,146
[illegible]	144,257	30,326
	4,840,642	865,472
Property, plant and equipment [illegible]	9,080,836	2,104,984
Other assets	19,800	–
	13,940,248	2,970,456
Liabilities		
Current liabilities		
[illegible]		122,054
[illegible]	5,112,085	554,210
[illegible]	17,195	–
[illegible]	176,000	100,000
	5,305,280	776,264
Long-term debt [illegible]	2,113,000	308,333
	7,418,280	1,084,597
Shareholders' equity		
Share capital [illegible]	6,290,750	2,094,568
Contributed surplus	297,221	297,271
Deficit	(66,986)	(505,980)
Currency translation adjustment	(1,057)	–
	6,521,968	1,885,859
	13,940,248	2,970,456

Approved by the Board of Directors

[illegible]

Terry Falkenberg
Director

CONSOLIDATED STATEMENTS OF INCOME AND DEFICIT

	2001 $	2000 $
Revenues	[illegible]	[illegible]
Direct field expenses	[illegible]	[illegible]
Gross margin	[illegible]	[illegible]
Expenses		
Selling, general and administrative	[illegible]	[illegible]
Amortization	[illegible]	[illegible]
Gain on disposal of [illegible] equipment and [illegible]	[illegible]	[illegible]
Foreign currency loss	[illegible]	[illegible]
	[illegible]	[illegible]
Income before interest expense	[illegible]	[illegible]
Interest expense on long term debt	[illegible]	[illegible]
Income before income taxes	[illegible]	[illegible]
Provision for income taxes – current [illegible]	[illegible]	
Net income for the year	[illegible]	[illegible]
Deficit – Beginning of year	[illegible]	[illegible]
Deficit – End of year	[illegible]	[illegible]
Net income per share		
Basic and diluted	[illegible]	[illegible]

CONSOLIDATED STATEMENTS OF CASH FLOWS

	2001	2000
	$	$
Cash provided by (used in)		
operating activities		
[illegible]	[illegible]	275,116
[illegible]		
[illegible]	[illegible]	278,087
[illegible]	[illegible]	–
[illegible]	–	24,200
	[illegible]	577,403
[illegible]		
[illegible]	[illegible]	(225,896)
[illegible]	[illegible]	(23,543)
[illegible]	[illegible]	85,933
[illegible]	[illegible]	–
	[illegible]	(163,506)
	[illegible]	413,897
Financing activities		
[illegible]	[illegible]	408,333
[illegible]	[illegible]	–
[illegible]	[illegible]	–
[illegible]	[illegible]	–
[illegible]	[illegible]	–
	[illegible]	[illegible]
Investing activities		
[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	–
[illegible]	[illegible]	–
[illegible]	[illegible]	–
[illegible]	[illegible]	–
	[illegible]	(930,517)
Change in net cash	[illegible]	(108,287)
Bank indebtedness – beginning of year	[illegible]	(13,767)
Cash (bank indebtedness) – end of year	[illegible]	(122,054)
Supplementary information		
[illegible]	[illegible]	[illegible]
[illegible]		
[illegible]		[illegible]
[illegible] non-cash working capital – purchase of Starlink (note 2)	[illegible]	

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 *Organization and nature of operations*

The consolidated financial statements include the accounts of Nevis Energy Services Ltd. ("Nevis Energy") (formerly Starlink Capital Corp., a Public Corporation) and its wholly owned subsidiaries, Nevis Drilling Services Ltd., Nevis Energy Services, Inc., Nevis Energy Services Houston, Inc. and Di Drill, Inc. (collectively "Nevis Drilling" or the "Company"). All significant intercompany accounts and transactions have been eliminated in consolidation.

On September 30, 2001, Nevis Energy acquired all of the issued and outstanding common shares of Nevis Drilling in consideration for the issuance of 50,689,574 common shares of Nevis Energy. In connection with the transaction, the shareholders of Nevis Energy approved a one-for-ten reverse stock split.

The acquisition is treated as a reverse acquisition for accounting and financial reporting purposes. As such, Nevis Drilling was considered the acquiror for accounting and financial reporting purposes, and the net assets of Nevis Energy were combined with those of Nevis Drilling at their fair value on September 30, 2001.

Nevis Drilling provides horizontal and directional drilling, percussion hammer drilling and performance drilling services to oil and natural gas companies in Western Canada and the United States.

2 *Reverse takeover*

On September 30, 2001, Starlink completed the purchase of all of the issued and outstanding common shares of Nevis Drilling, including Nevis Drilling's warrants and options, on the basis of 6.5185 Starlink common shares for each common share of Nevis Drilling. Based on the 7,196,663 issued and outstanding Nevis Drilling common shares, an aggregate of 50,689,574 Starlink common shares were issued. In conjunction with the transaction, 7,585,600 warrants of Starlink were exercised at a price of $0.23 per share for total proceeds of $1,744,688, after which a one-for-ten consolidation of Starlink common shares occurred.

As a result of the above transactions, the shareholders of Nevis Drilling became the owners of approximately 63% of the voting shares of Starlink, therefore the acquisition has been accounted for as a reverse takeover of Starlink by Nevis Drilling.

Details of the assets and liabilities acquired September 30, 2001 at their fair value are as follows:

	$
Cash	301,416
Note receivable	3,500,000
Accounts receivable	40,440
Other current assets	371,606
Accounts payable and accrued liabilities	(73,944)
	4,139,518

3 *Acquisition*

On March 1, 2001, the Company agreed to purchase the directional drilling assets (the "assets") of Northstar Drilling Systems Inc. ("Northstar"). Those assets included the shares of a wholly owned subsidiary, Di Drill, Inc. The agreed consideration was cash and certain future consideration. The Company also entered into a Management Agreement with Northstar in which the Company managed the directional drilling assets to be acquired in consideration for a management fee which approximated the operating results during the period prior to the acquisition. The management fee earned by the Company of $18,335 was used to reduce the consideration for the acquisition. On May 15, 2001, the assets were acquired for total consideration of $7,929,899 which included acquisition costs of $112,232 and royalties capitalized of $336,000. The details of the assets and liabilities acquired at May 15, 2001 are as follows:

	$
Cash	198,220
Accounts receivable	399,586
Capital assets	7,556,959
Accounts payable and accrued liabilities	(224,866)
	7,929,899

4 *Summary of significant accounting policies*

The Company prepares its consolidated financial statements in accordance with Canadian generally accepted accounting principles. Significant specific accounting policies applied by the Company are:

Principles of consolidation

These financial statements present the accounts of Nevis Energy Services Ltd. and its wholly owned subsidiaries; Nevis Drilling Systems Ltd., Nevis Energy Services, Inc., Nevis Energy Services Houston, Inc., and Di Drill, Inc.

Property, plant and equipment

Property, plant and equipment are recorded at cost, less accumulated amortization. Amortization is computed using the straight-line method based on the estimated useful lives of the assets. Additions, improvements and renewals significantly adding to the asset value or extending the life of the assets are capitalized. Ordinary maintenance and repairs, which do not extend the physical or economic life of the property or equipment, are charged to expense as incurred. The annual rates are as follows:

Drilling equipment	8 year straight-line basis, 20% residual value
Furniture and fixtures	5 year straight-line basis, 20% residual value
Computer equipment	3 year straight-line basis
Computer software	3 year straight-line basis
Leasehold improvements	Straight-line basis over the term of the lease

Revenue recognition

The Company recognizes revenue on the percentage of completion basis, whereby revenue and costs related to horizontal and directional drilling and other services are recognized as incurred.

Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in Canada requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Future income taxes

Future income taxes are recognized using applicable enacted or substantively enacted income tax rates, attributable to differences between the financial statement assets and liabilities and their respective income tax bases. The effect of a change in tax rates on future income taxes and liabilities is included in income in the period of change. Future income tax assets are evaluated and if realization is not considered "more likely than not", a valuation allowance is provided.

Per share information

Per share information is computed using the weighted average number of common shares outstanding during the year. Diluted per share information is calculated using the treasury stock method. The treasury stock method assumes that any proceeds obtained upon exercise of options would be used to purchase common shares at the average market price during the year. No adjustment to diluted earnings per share is made if the result of this calculation is anti-dilutive.

Net income (loss) per share is based upon the weighted number of common shares outstanding during the year of 5,884,597 (2000 – 4,087,510).

Stock-based compensation

No compensation is recognized in respect of stock options granted by the Company. Consideration paid on the exercise of stock options is credited to share capital.

Foreign currency translation

Monetary amounts designated in foreign currencies have been translated into Canadian dollars using the exchange rate in effect at the balance sheet date for all assets and liabilities, and average rates of exchange prevailing during the period for revenues and expenses.

The financial statements of foreign operations considered to be self-sustaining are converted using the current rate method whereby assets and liabilities are translated at the rate of exchange in effect at the balance sheet date and revenues and expenses are translated at the average rate of exchange for the year. Differences arising from exchange rate changes are included in the cumulative translation adjustment component of the shareholders' equity.

5 *Property, plant and equipment*

			2001
	Cost $	Accumulated amortization $	Net $
Drilling equipment	9,866,323	1,055,407	8,810,916
Furniture and fixtures	146,791	67,698	79,093
Computer equipment	203,813	104,705	99,108
Computer software	75,005	55,934	19,071
Leasehold improvements	101,828	29,210	72,618
	10,393,760	1,312,954	9,080,806

			2000
	Cost $	Accumulated amortization $	Net $
Drilling equipment	2,549,513	487,218	2,062,295
Furniture and fixtures	31,144	15,838	15,306
Computer equipment	63,463	49,264	14,199
Computer software	60,170	49,415	10,755
Leasehold improvements	9,623	7,194	2,429
	2,713,913	608,929	2,104,984

6 Long-term debt

The Emerging Issues Committee of the Canadian Institute of Chartered Accountants has issued an Abstract which indicates that all loans secured by demand notes, that cannot be converted to a term loan, will have to be classified as current liabilities. The accounting treatment shall be applied to financial statements for periods on or after January 1, 2002. Pursuant to the Abstract, the entire amount outstanding on the Company's demand term credit facility would be classified as a current liability on the Company's balance sheet.

	2001 $	2000 $
Demand loan with a Canadian financial institution, bearing interest at prime plus 1.25%, repayable in blended monthly instalments of $8,333, secured by a personal property security agreement against all assets and a first chargeover two MWDSystems.	–	408,333
Demand non-revolving loan with a Canadian chartered bank, bearing interest at prime plus 1.25%, repayable in monthly instalments of $73,000 plus interest, secured by a general security agreement, uniform commercial code filings in applicable states, an assignment of insurance, subsidiary guarantees and an assignment and postponement by the shareholders and directors, due May 1, 2005	2,989,000	–
	2,989,000	408,333
Less: Current portion	(876,000)	(100,000)
	2,113,000	308,333

As at year end, the Company was in violation of the working capital covenant. However, the bank issued a forbearance agreement.

Annual principal repayments are as follows:

	$
2002	876,000
2003	876,000
2004	876,000
2005	361,000
	2,989,000

7 *Credit facilities*

The Company has available a demand revolving loan facility to a maximum of $1,500,000 or 75% of accounts receivable with interest at a chartered bank's prime rate plus 1% per annum secured by accounts receivable and a demand revolving loan facility of $1,000,000 with interest at a chartered bank's prime rate plus 1.5% limited to 75% of the cost of new equipment purchases. At December 31, 2001, no amounts are outstanding on these credit facilities.

8 *Share capital*

Authorized

Unlimited number of common shares, without par value

Unlimited number of special warrants

Issued – Common shares

	Shares	Shares	$
Starlink Capital Corp. – January 1, 2000		10,000,000	1,058,023
Issued pursuant to private placement		12,000,000	2,070,000
Issue costs		–	(71,120)
Stock options exercised (note 5)		333,000	33,300
Warrants exercised		2,174,000	500,020
Starlink Capital Corp. – January 1, 2001		24,507,000	3,590,223
Issued for cash pursuant to warrants exercised (note 2)		7,585,600	1,744,688
Stock options exercised		267,000	26,700
Adjustment of value to reflect the reverse takeover accounting		–	(1,222,094)
Starlink Capital Corp.- September 30, 2001		32,359,600	4,139,517
Nevis Drilling Systems Ltd. –			
September 30, 2001	7,196,663		2,153,233
Exchange of shares (i)	(7,196,663)	50,689,574	–
Common share consolidation on a one-for-ten basis		(74,744,257)	–
Share capital – December 31, 2001		8,304,917	6,292,750

(i) As part of the reverse takeover described in note 2, all of the shares of Nevis Drilling Systems Ltd. outstanding at September 30, 2001 (7,196,663) were exchanged for 50,689,574 common shares of Starlink Capital Corp.

(ii) Nevis Drilling share capital

	Shares (a)	Shares (b)	$
Nevis Drilling Systems Ltd. – January 1, 2000	5,800,000	4,789,588	1,570,368
Issued on exercise of special warrants	1,000,000	–	500,000
Issued as penalty on special warrants	80,000	56,344	–
Issued as compensation	110,000	77,473	24,200
Nevis Drilling Systems Ltd. – January 1, 2001	6,990,000	4,923,405	2,094,568
Issued for cash pursuant to warrants exercised	206,663	145,552	58,665
Nevis Drilling Systems Ltd. – December 31, 2001	7,196,663	5,068,957	2,153,233

a) Original shares before consolidation

b) Shares on new basis after consolidation

Share based compensation

At December 31, 2001, 10,000 options are issued and exercisable at an exercise price of $1.00 per share.

On January 21, 2002, the Board of Directors approved the issue of 593,600 options to purchase common shares of the Company at a price of $0.95 per share. One third of the outstanding options are exercisable on September 1, 2002.

Shares held in escrow

At December 31, 2001, 2,759,237 shares (2000 – 1,585,783) of the Company were held in escrow.

9 *Income taxes*

The provision for income taxes in the statement of income and deficit varies from the amount that would be computed by applying the expected tax rate to income before income taxes. The expected tax rate used was 42.11% (2000 – 44.62%). The principal reasons for differences between the "expected" income tax expense and the amount actually recorded are as follows:

	2001 $	2000 $
Computed expected income tax expense	236,317	122,702
Effect of foreign jurisdiction tax rate	(27,997)	
Non-deductible expenses	9,433	3,253
Small business deduction	–	(50,000)
Utilization of previously unrecognized tax losses	(200,558)	(75,955)
Actual income tax expense	17,195	–

Significant components of the Company's net future tax asset, using an expected tax rate of 42.11% (2000 – 44.62%) at December 31, 2001 are as follows:

	Canada $	United States $	2001 $	2000 $
Tax losses carried forward	823,795	205,755	1,029,550	409,029
Net book value of capital assets in excess of tax pools	(152,110)	(233,197)	(385,307)	(116,122)
Tax value in excess of accounting assets	–	44,216	44,216	–
Share issue costs	67,403	–	67,403	71,421
Total net future tax asset	739,088	16,774	755,862	364,328
Future tax valuation allowance	(739,088)	(16,774)	(755,862)	(364,328)
Future tax asset, net of valuation allowance	–	–	–	–

The Company has estimated tax deductions for undepreciated capital cost of $8,164,066, which are available to reduce future taxable income. At December 31, 2001, the Company had net operating loss carryforwards of approximately $2,450,000, of which approximately $489,000 was acquired in the acquisition in May 2001. Nevis Energy's ability to utilize these net operating losses to reduce future taxable income may be limited due to regulatory reasons.

10 *Related party transactions*

The Company has entered into a number of transactions with directors, officers and companies owned by directors and/or officers. All transactions were on terms similar to those used in transactions with arm's length parties.

The particulars of these transactions are as follows:

	2001 $	2000 $
Rental for equipment paid to a company owned by a director of the Company	8,556	2,690
Consulting fees included in direct field expense paid to a company owned by a former officer and director	13,431	–
Management fees paid to a company owned by an officer and director and a company owned by a former officer and director	70,276	–

11 *Financial instruments*

The Company's financial instruments that are included in the balance sheet are comprised of cash, accounts receivable, bank indebtedness, all current liabilities and long-term borrowings. The fair values of financial instruments that are included in the balance sheet approximate their carrying amount due to the short-term maturity of those instruments or the variable interest rates.

Credit risk and economic dependence

The Company is exposed to credit risk from financial instruments to the extent of non-performance by third parties. A substantial portion of the Company's accounts receivable and accounts payable are with customers in the petroleum and natural gas industry and are subject to normal credit risks.

A substantial portion of the Company's revenues during the year ended December 31, 2001 came from two major customers – $4,061,943 (24%) and $2,130,650 (13%) versus $665,437 (35%) and $301,948 (16%) for two different major customers during the same period in 2000.

12 *Seasonality*

Due to the cyclical nature of the industry, the Company is subject to swings in activity. Oilfield drilling activity is customarily at its highest during the winter months. The following "spring break-up" period is customarily the slowest due to road bans.

13 *Commitments*

The Company's total obligations under operating leases for occupied premises and equipment leases are approximately as follows:

	$
2002	454,799
2003	381,338
2004	162,908
2005	7,652

14 *Segmented information*

In fiscal 2001, the Company marketed its drilling services throughout North America. In fiscal 2000, the Company's services were only in Canada.

	Canada $	United States $	Total $
Sales	10,007,365	6,894,273	16,901,638
Direct field expenses	7,119,393	5,467,477	12,586,870
Gross margin	2,887,972	1,426,796	4,314,768
Other operating expenses			3,858,579
Corporate income taxes			17,195
Net income for the year			438,994
Capital assets, net	8,451,955	628,841	9,080,806

HISTORICAL REVIEW

Years Ended December 31, *(000s)*	2001 $	2000 $	1999 $	1998 $
Results				
Revenue	16,902	3,214	1,804	1,800
Direct field expenses	12,587	1,850	1,086	1,439
Gross margin	4,315	1,364	718	361
Net income	439	275	3	(721)
Cash flow from operations	1,143	577	185	(576)
EBITDA	1,356	594	182	(585)
Capital asset expenditures	7,938	931	314	1,125
Financial Position				
Total assets	13,940	2,970	2,069	1,812
Working capital (deficiency)	(465)	89	134	(67)
Long-term debt	2,113	308	–	–
Shareholders' equity	6,522	1,886	1,587	1,210

CORPORATE INFORMATION

Directors

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Calgary, Alberta

Randolph M. Charron
President
Characo Corporation
Calgary, Alberta

Brent Clark
President & Chief Operating Officer
Nevis Energy Services Ltd.
Calgary, Alberta

Terry Falkenberg
President
Stephen Avenue Securities Inc.
Calgary, Alberta

John H. Hagg
Corporate Director
Calgary, Alberta

Robert M. Shaunessy
Chairman
Rio Alto Exploration Ltd.
Calgary, Alberta

Officers

J. Cameron Bailey
Chairman

Randolph M. Charron
Chief Executive Officer & Secretary

Brent Clark
President & Chief Operating Officer

Rodney D. Mitton, CA
Chief Financial Officer

Brent Gogol
Vice-President, Sales & Marketing

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Calgary, Alberta

Banker

HSBC
Calgary, Alberta

Legal Counsel

Carscallen Lockwood LLP
Calgary, Alberta

Registrar and Transfer Agent

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Stock Trading

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Trading Symbol: NES.A

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